



**REPORT ON THE ACTIVITIES OF THE AUDIT AND CONTROL COMMITTEE  
OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.**

**FINANCIAL YEAR 2023**



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## 1. INTRODUCTION

The Audit and Control Committee (the "**Committee**" or the "**ACC**") of Fomento de Construcciones y Contratas, S.A. ("**FCC**" or the "**Company**"), in accordance with the provisions of articles 40.7 of the Articles of Association, prepares this report on its activities and operation during the 2023 financial year, taking as a reference for these purposes the provisions of the CNMV Technical Guide 3/2017 on Audit Committees of Public Interest Entities (the "**Technical Guide 3/2017**") as well as generally accepted practices of good corporate governance.

## 2. REGULATION AND PRACTICAL GUIDELINES BEING FOLLOWED

The composition, competencies and functioning of the ACC are regulated in articles 40 of the Articles of Association and 37 of the Regulations of the Board of Directors, based on the provisions of article 529 quaterdecies of the Spanish Companies Act ("**LSC**") and Act 22/2015, of 20 July 2015 on the Audit of Accounts ("**Audit Act**"), as well as the recommendations of the Code of Good Governance of Listed Companies approved by the CNMV on 18 February 2015 and revised on 26 June 2020 (the "**Code of Good Governance**").

In exercising its functions, the ACC has taken as a starting point the provisions of the Code of Good Governance and has also taken into account the basic principles and recommendations of Technical Guide 3/2017. In particular, this report includes the information contained in section 79 of Technical Guide 3/2017.

## 3. COMPOSITION

In accordance with the provisions of articles 40.1 of the Articles of Association and 37.1 of the Regulations of the Board of Directors, the Board of Directors must have an Audit and Control Committee without executive functions and with information, advisory and proposal-making powers within its scope of action, which shall be composed of a minimum of three (3) and a maximum of six (6) directors, appointed by the Board of Directors taking into account as a whole, and especially with regard to its Chairman, their knowledge and experience in accounting, auditing and risk management, both financial and non-financial, following a report from the Appointments and Remuneration Committee, for a period not exceeding their term of office as directors and without prejudice to their being eligible for re-election indefinitely, insofar as they are also re-elected as directors.

Pursuant to article 16.4 of the Regulations of the Board of Directors, the Secretary shall provide each new director with a copy of the Articles of Association, the Regulations of the Board, the Code of Ethics of the FCC Group, the Internal Regulations of Conduct in the Securities Market, the latest annual accounts and management reports, both individual and consolidated, approved by the General Meeting of Shareholders, the audit reports corresponding to these and the latest



economic and financial information sent to the markets. They shall also be provided with the identification of the current auditors and their interlocutors.

All members of the CAC must be non-executive directors, and the majority of its members must be independent directors, one of whom shall be appointed on the basis of his or her knowledge and experience in accounting and/or auditing. As a whole, the members of the CAC shall have relevant expertise in relation to the Company's sector of activity.

The CAC elects a Chairman from among its independent members, and may also elect a Vice-Chairman. The duration of these posts may not exceed four (4) years, nor the duration of their terms of office as members of the CAC, and they may be re-elected after at least one year has elapsed since they ceased to hold office. It shall also have a Secretary and, where appropriate, a Vice-Secretary, who may not be Directors.

As at 31 December 2023, the composition of the CAC was as follows:

<b>Name</b>	<b>Category</b>	<b>Cargo</b>	<b>Date of last appointment</b>
<b>Mr Álvaro Vázquez de Lapuerta</b>	Independent Director	President	14/06/2023
<b>Mr Juan Rodríguez Torres</b>	Proprietary Director	Vocal	02/06/2020
<b>Mr Manuel Gil Madrigal</b>	Independent Director	Vocal	14/06/2023
<b>D. Felipe Bernabé García Pérez</b>	Secretary	Non-vocal	

In compliance with the provisions of articles 529 quaterdecies of the LSC and 37.2 of the Board of Directors' Regulations, as stated above, at least one of the independent members of the ACC must have knowledge and experience in accounting, auditing or both for the diligent performance of their duties, and the independent directors Mr. Álvaro Vázquez de Lapuerta and Mr. Manuel Gil Madrigal comply with this requirement. Likewise, all the members of the Committee must have the relevant technical knowledge in relation to the sector in which the Company operates.

The professional profile and experience of CAC members is available on the Society's corporate website ([www.fcc.es](http://www.fcc.es)).



#### **4. OPERATION**

The functioning of the Committee is governed by the following basic principles: accountability, scepticism, constructive dialogue that promotes freedom of expression and critical attitude of its members, continuous dialogue with internal audit, the auditor and management, sufficient analytical capacity and the ability to seek and obtain the advice of external experts when deemed appropriate.

The Secretary of the CAC, and where appropriate, the Deputy Secretary, assists the Chairman and ensures the smooth running of the CAC, ensuring that the minutes duly reflect the proceedings of the meetings, the content of the deliberations and the resolutions adopted. Minutes of each meeting are drafted by the Secretary or whoever performs his or her functions, and are signed by the Secretary of the Committee with the approval of the Chairman.

The ACC is validly constituted when the majority of its members are present or represented, and its resolutions are adopted by an absolute majority of its members present or represented, with the Chairman having the casting vote in the event of a tie, in accordance with the provisions of article 37.3 of the Board of Directors' Regulations and 40.6 of the Articles of Association.

Articles 40.5 of the Articles of Association and 37.6 of the Board Regulations provide that the ACC shall meet at the discretion of its Chairman, or at the request of two of its members, as often as necessary for the performance of its duties and at least once a quarter.

Pursuant to article 37.4.d) of the Regulations of the Board of Directors, the head of the internal audit function submits an annual work plan to the ACC and reports directly on its implementation, including any incidents and limitations to its scope that may arise in its development, the results and the follow-up of its recommendations. Furthermore, at the end of each year, a report summarising the activities carried out by the ACC is submitted for information and follow-up.

#### **5. COMPETENCIES**

The ACC is vested with the powers established in articles 40.4 of the Articles of Association and 37.4 of the Board of Directors' Regulations, in accordance with article 529 quaterdecies of the LSC and the Audit Act.

The primary function of the Audit and Control Committee is to support the Board of Directors in its oversight duties by periodically reviewing, inter alia, the process of preparing the economic and financial information, its internal controls and the independence of the external auditor.

In particular, by way of example, and without prejudice to other tasks that may be entrusted to it by the Board of Directors, it shall be the responsibility of the ACC:



- a) To report to the General Shareholders' Meeting on matters arising in connection with those matters within the Committee's competence and, in particular, on the outcome of the audit, explaining how the audit has contributed to the integrity of the financial information and the role that the Committee has played in this process.
- b) To act as a channel of communication between the Board of Directors and the external auditors of the Company, evaluating the results of each audit, and also to act as a channel of communication with the external auditors:
  - (i) to submit to the Board of Directors proposals for the selection, appointment, re-election and replacement of the Auditor, being responsible for the selection process, in accordance with the provisions of Community law, as well as the terms and conditions of his engagement;
  - (ii) to obtain regular information from the external auditor on the audit plan and the results of its execution, to preserve its independence in the performance of its functions, and to verify that senior management takes its recommendations into account;
  - (iii) discuss with the Company's external auditor any material weaknesses in the internal control system identified in the course of the audit, without compromising the auditor's independence.

To this end, and where appropriate, the ACC may submit recommendations or proposals to the Governing Board and the corresponding deadline for their follow-up;

- (iv) Establish the appropriate relations with the external auditor to receive information on those matters that may threaten its independence, for examination by the Committee, and any other matters related to the process of auditing the accounts and, where appropriate, the authorisation of services other than those prohibited, in the terms contemplated in the regulations governing the auditing of accounts on the independence regime, as well as those other communications contemplated in the legislation on auditing of accounts and in the auditing standards;
- (v) to ensure the independence of the external auditor, in particular by establishing appropriate measures: 1) so that the engagement of advisory and consultancy services with said auditor or companies in its group does not entail a risk to its independence, for which purpose the Committee shall request and receive annually from said auditor a declaration of its independence in relation to the Company or entities directly or indirectly related thereto, as well as detailed and individualised information on additional services of any kind rendered and the corresponding fees received from these entities by the external auditor or by persons or entities related thereto, in accordance with the provisions of the



regulations governing the auditing of accounts; 2) to ensure that the Company notifies the CNMV of the change of auditor and accompanies it with a statement on the possible existence of disagreements with the outgoing auditor and, if any, their content, and that in the event of resignation of the external auditor, it examines the circumstances giving rise to such resignation; 3) ensure that the Company and the external auditor comply with existing rules on the provision of non-audit services, limits on the concentration of the auditor's business and, in general, other rules on auditor independence, and ensure that the remuneration of the external auditor for its work does not compromise its quality or independence; and

- (vi) to encourage the Company's auditor to take responsibility for the audits of the companies that make up the Group.
- c) Annually issue, prior to the issuance of the audit report, a report expressing an opinion as to whether the independence of the auditors or audit firms is compromised. This report must contain, in any case, a reasoned assessment of the provision of each and every one of the additional services referred to in section b).(v).1) above, individually considered and as a whole, other than the statutory audit and in relation to the independence regime or to the regulations governing the activity of auditing accounts.
- d) Supervise the internal audit unit of the Company, which oversees the proper functioning of the internal control and information systems and which will functionally report to the Chairman of the Committee, with the head of the internal audit function being obliged to submit to the Committee, for its approval, its annual work plan, to report directly to it on its execution, including possible incidents and limitations to the scope that may arise in its development, the results and follow-up of its recommendations, and to submit a report on its activities at the end of each financial year. The Commission shall ensure that its activities are primarily focused on relevant risks (including reputational risks).
- e) Supervise the internal risk management and control unit, which shall have at least the following functions:
  - (i) ensure the proper functioning of the risk control and management systems and, in particular, that all significant risks affecting the Company are identified, managed and adequately quantified;
  - (ii) actively participate in the development of risk strategy and major risk management decisions; and
  - (iii) ensure that risk management and control systems adequately mitigate risks within the framework of the policy defined by the Board of Directors.



- f) Supervise and analyse the effectiveness of the Company's internal control and the risk control and management policy approved by the Board of Directors, ensuring that it identifies or determines at least:
- (i) the different types of risks (inter alia, operational, technological, legal, social, environmental, political and reputational, including corruption-related risks) faced by the Company, including financial or economic risks, contingent liabilities and other off-balance sheet risks;
  - (ii) a tiered risk management and control model;
  - (iii) the level of risk deemed acceptable by the Company;
  - (iv) the measures envisaged to mitigate the impact of the identified risks, should they materialise; and
  - (v) the information and internal control systems to be used to control and manage these risks, including contingent liabilities or off-balance sheet risks, and submit it to the Board for approval.
- g) Supervise the process of preparation and presentation of the annual accounts and management reports, both individual and consolidated, and of the periodic financial information disclosed to the markets, and submit recommendations or proposals to the Board of Directors, aimed at safeguarding their integrity; ensuring compliance with legal requirements and the correct application of generally accepted accounting principles, reporting to the Board of Directors, prior to the adoption by the latter of the following decisions:
- (i) the financial information and the management report, including, where appropriate, the non-financial information that the Company is required to disclose periodically, ensuring that the interim accounts are prepared on the same basis as the annual accounts and, to this end, consider the appropriateness of a limited review by the Company's external auditors; and
  - (ii) the creation or acquisition of shares in special purpose vehicles or entities domiciled in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature which, due to their complexity, could undermine the transparency of the FCC Group.
- h) Ensure that the annual accounts submitted by the Board of Directors to the General Shareholders' Meeting are drawn up in accordance with accounting regulations. In those cases in which the auditor has included a qualification in its audit report, the Chairman of the Audit and Compliance Committee shall clearly explain the Committee's opinion on its content and scope at the General Meeting, and a summary of said opinion shall be made available to the shareholders at the time of publication of





the notice of call to the General Meeting, together with the rest of the proposals and reports of the Board.

- i) In relation to information systems and internal control:
  - (i) supervise and assess the preparation process and the integrity of the financial and non-financial information relating to the Company and, where appropriate, its Group, reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria;
  - (ii) supervise and periodically evaluate the internal control and financial and non-financial risk management systems relating to the Company and, where appropriate, its Group, including operational, technological, legal, social, environmental, political, reputational and corruption-related risks, so that the main risks are properly identified, managed and disclosed;
  - (iii) ensuring the independence and effectiveness of the internal audit function, proposing the selection, appointment and removal of the head of the internal audit service, proposing the budget for the internal audit service, receiving regular information on its activities and verifying that senior management takes into account the conclusions and recommendations of its reports;
  - (iv) receive regular information from the Response Committee and the Directorate for Management Control and Risk Management, respectively, on the development of their activities and the functioning of internal controls;  
  
establish and supervise a mechanism that allows employees and other persons related to the Company, such as Directors, shareholders, suppliers, contractors or subcontractors, to report potentially significant irregularities, including financial and accounting irregularities, or any other irregularities related to the Company that they notice within the Company or its Group. This mechanism must guarantee confidentiality and, in any event, provide for cases in which communications may be made anonymously, respecting the rights of the whistleblower and the reported party.
  - (v) generally ensuring that established internal control policies and systems are effectively implemented in practice; and
- j) Report on Related-Party Transactions to be approved by the General Meeting or the Board of Directors and supervise the internal procedure established by the Company for those whose approval has been delegated in accordance with the applicable regulations.



- k) Supervise compliance with the Company's environmental, social and corporate governance policies and rules, as well as with internal codes of conduct and, in particular:
- (i) ensuring that internal codes of conduct and corporate governance rules comply with regulatory requirements and are appropriate for the Company, ensuring that the corporate culture is aligned with its purpose and values, and reviewing compliance by affected persons with such codes and governance rules and their reporting obligations to the Company.
  - (ii) supervising compliance with the Company's corporate governance rules and internal codes of conduct, and ensuring that the corporate culture is aligned with its purpose and values;
  - (iii) supervise the application of the general policy regarding the communication of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisors and other stakeholders. The Committee shall also monitor the way in which the Company communicates and relates to small and medium-sized shareholders;
  - (iv) periodically evaluate and review the system of corporate governance and the Company's environmental and social policy to ensure that they fulfil their mission of promoting the corporate interest and take into account, as appropriate, the legitimate interests of other stakeholders;
  - (v) monitor that the Company's environmental and social practices are in line with its strategy and policy; and
  - (vi) monitor and evaluate stakeholder engagement processes.
- l) To issue such reports and proposals as may be requested by the Board of Directors or by the Chairman thereof and such others as it deems appropriate for the better performance of its duties and, in particular, (i) to issue a report on proposed amendments to the Regulations of the Board of Directors, pursuant to the provisions of article 4 thereof.3; (ii) to decide on requests for information that the Directors, in accordance with the provisions of article 26.3 of the Board of Directors' Regulations, send to this Committee; and (iii) to request, where appropriate, the inclusion of items on the agenda of Board meetings under the conditions and within the time periods established in article 34.3 of the Board of Directors' Regulations.

## 6. ACTIVITIES

### a) Meetings held.



The CAC met a total of ten (10) times during the financial year 2023, complying with the requirement established in articles 40.5 of the Articles of Association and 37.6 of the Regulations of the Board of Directors that the CAC meet at least quarterly.

The calendar of CAC meetings held during the financial year 2023 is set out below:

First trimester	Second quarter	Third trimester	Fourth quarter
18 January	21 April	5 July	24 October
23 February	14 June	27 July	28 November
22 March			11 December

The meetings of the ACC have been convened with the statutory notice.

The prior and sufficient dedication of its members to analyse and evaluate information, as well as the holding of specific meetings with internal and external auditors and members of management, is noteworthy. Most members of the CAB regularly attend meetings.

The Company provides the necessary resources to the members of the Committee for the responsible knowledge of the matters to be discussed at the meetings and their active participation therein, as well as for the due fulfilment of the Committee's own functions and competencies.

In particular, for the effective performance of the CAC's functions, members have the right and the duty to obtain information from the various Company executives and, in particular, from those responsible for internal governance areas. Thus, during the 2023 financial year, the CAC met, at the invitation of the Chairman, with the following executives and professionals in formal session:

- Directorate-General for Administration, up to six times.
- Directorate General for Administration and Finance, up to seven times.
- Directorate of Information Systems and Technologies, on one occasion.
- Directorate-General for Internal Audit, on up to seven occasions.
- Directorate-General for Legal Advice, up to two times.
- HR Directorate, up to two times.
- Prosecutor's Office, up to two times.
- *Compliance Officer* of the FCC Group, on two occasions.



- Representatives of the auditing firm, up to three times.
- Administration and Finance Directorate of FCC Construcción, on one occasion.
- Directorate General of FCC Environment Spain and Portugal, on one occasion.
- Directorate of Capital Markets and Corporate Management Control, on one occasion.

The CAC duly complies, through its Secretary, with its obligation to draw up minutes of its meetings, duly reflecting the development of the meetings and the content of the deliberations and resolutions adopted. The resolutions were adopted unanimously in all cases.

**b) Significant activities carried out.**

*(i) In relation to external audit.*

- Ensure the independence of the external auditor by establishing appropriate measures to this end.
- To serve as a channel of communication between the Board of Directors and the external auditor of the Company, evaluating the results of each audit, as well as to submit proposals for the selection, appointment, re-election and replacement of the external auditor, taking responsibility for the selection process, in accordance with the provisions of Community legislation, as well as the conditions of his engagement.
- Discuss with the Company's external auditor any significant weaknesses in the internal control system detected in the course of the audit, without breaching their independence. Receive information from the external auditor on any issues that may pose a threat to their independence and, where appropriate, authorisation for services other than those prohibited, under the terms contemplated in the regulations governing the auditing of accounts on the independence regime.
- To report to the General Shareholders' Meeting on any issues raised in relation to matters within the Committee's competence and, in particular, on the outcome of the audit, explaining how the audit has contributed to the integrity of the financial information and the role that the Committee has played in this process.
- Issue, prior to the issuance of the audit report, a report expressing an opinion on whether the independence of the auditors or audit firms is compromised.

*(ii) In relation to corporate governance.*

- To report favourably on the Annual Corporate Governance Report of FCC for the financial year 2022.



- Supervise compliance with the Company's environmental, social and corporate governance policies and rules, as well as internal codes of conduct ("Compliance System").
  - Overseeing the FCC Group's cybersecurity policy.
  - Report favourably to the Board on the approval of the Tax Compliance Policy of the FCC Group, as well as the Regulations of the Tax Compliance body and the composition of the Tax Compliance Body.
  - Submission to the CNMV and the Stock Exchanges of the information required by current legislation.
  - To approve, in compliance with the provisions of article 34.9 of the Board Regulations, the self-assessment report on the functioning of the Company's ACC during the 2022 financial year, to be submitted to the Board of Directors.
  - Approve the report on the activities of the CAB for the year 2022.
  - To report, in a global manner, on the communications of the "Internal Communication Channel" and the actions carried out for this purpose. There is an internal communication channel and procedure that allows employees and third parties to confidentially consult doubts and report irregular conduct.
- (iii) *In relation to financial and non-financial reporting and associated internal control mechanisms.*
- Supervise the process of preparation and presentation of the individual and consolidated Annual Accounts and Directors' Report, as well as the financial information periodically disclosed to the markets.
  - Report favourably on the annual, half-yearly and quarterly financial information and on the process of preparing it.
  - To report favourably to the Board on the preparation of the Annual Accounts and the management report (individual and consolidated) of FCC for the 2022 financial year.
  - In relation to the proposal to the Board of Directors of the Company, for its submission to the Ordinary General Meeting of Shareholders, of a flexible dividend (scrip dividend), the review by the members of the Committee of the compensation mechanism for shareholders so that the options of (i) transferring the free-of-charge allocation rights to the Company by virtue of the Purchase Commitment and (ii) receiving said amount in New Shares, i.e. without favouring or penalising either of said options in economic terms, were economically equivalent, has been particularly relevant.



- Report favourably to the State Council on FCC's Non-Financial Information (Sustainability Report) for the 2022 financial year.
- Report favourably on the adequacy of the information contained in the "Interim Statement", referring to the first and third quarters of 2023, in accordance with the provisions of article 20, section 1, of Royal Decree 1362/2007, of 19 October, and the provisions that develop it, recommending its approval by the Board of Directors and its submission to the CMNV and the Stock Exchanges.
- To report favourably on the adequacy of the information contained in the financial statements for the first half of 2023 ("Summary Annual Accounts" and "Interim Management Report") to the provisions of article 11 and following articles of Royal Decree 1362/2007, of 19 October, and the provisions that develop it.
- To report favourably on the process of preparing the consolidated "Interim Management Report" of FCC, referred to in article 11 of Royal Decree 1362/2007, and the "Consolidated Financial Statements at 30 September 2023", recommending its approval by the Board of Directors and its submission to the CNMV and Stock Exchanges.

(iv) *In relation to risk management and control.*

- Acknowledgement of Fiscal Risk Reports, Legal Risk Reports and Occupational Risk Reports.
- Acknowledgement of the Handbook on the Prevention of Money Laundering and Terrorist Financing.
- Pursuant to the provisions of article 24.4 of the Board Regulations and in accordance with the provisions of article 529 duovicies.3 of the LSC, issue the report prior to the approval, by the General Meeting or by the Board of Directors, of the execution of various Related-Party Transactions, assessing, in each case, whether the transaction is fair and reasonable from the point of view of the Company and, where appropriate, of the shareholders other than the related party. Likewise, supervise the internal procedure established in the Company for those related-party transactions whose approval has been delegated in accordance with the applicable regulations.

(v) *In relation to internal audit.*

- Acknowledgement of the External Audit Summary Report.
- Analysis of the annual Internal Audit Plan and its development.
- Acknowledgement of the Activity Report of the Directorate-General for Internal Audit].



- Receive specific reports from Internal Audit on specific relevant issues.

## **7. THE COMMITTEE'S OPINION ON STATUTORY AUDITORS' INDEPENDENCE**

In relation to the independence of the external auditors, the Committee has received from ERNST & YOUNG written confirmation of their independence from the Audit and Compliance Committee, as well as information regarding the non-audit services that the external auditor has provided to the Company and its Group during financial year 2023. This statement expressly indicates that the auditor has not been found during the financial year 2023 in any of the causes of incompatibility established for this purpose in the Audit Law; and in view of the information available, the Committee has not identified any factors that may jeopardise the independence of the auditor ERNST & YOUNG.

## **8. EVALUATION AND CONCLUSIONS**

The ACC has issued this report on its activities and operations during the 2023 financial year so that the Board of Directors may proceed with its evaluation, in compliance with the provisions of article 34.9 of the Board of Directors' Regulations, which incorporates recommendations 36 and 42 to 44 of the Good Governance Code, and article 529 nonies of the LSC.

The aforementioned evaluation concludes that the ACC duly complies with its formal obligations and is organised and functions effectively for the fulfilment of its functions and the ultimate achievement of its purposes. Notwithstanding the foregoing, this committee shall inform the Board of Directors, whenever it deems appropriate, of any aspects of improvement that may contribute to the better performance by the Committee of its functions.

## **9. DATE OF FORMULATION OF THE REPORT BY THE AUDIT AND CONTROL COMMITTEE AND DATE OF APPROVAL BY THE BOARD OF DIRECTORS**

This *report on the activities of the Audit and Compliance Committee* was drawn up by the Committee on 16 May 2024 and submitted to the Board of Directors of the Company at its meeting held on the same date.